

MINUTES OF THE CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

December 14, 1999

The Capital Projects and Bond Oversight Committee met on Tuesday, December 14, 1999, at 1:00 PM, in Room 125 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Chairman; Senator Bob Jackson; and Representatives Paul Marcotte and Jim Wayne.

Guests testifying before the Committee: Representative Perry Clark, Chairman, Capital Planning Advisory Board; Ken Walker, Council on Postsecondary Education; Charles Cotton and Gary Feck, Department of Housing, Buildings, and Construction; Carvon Hudson, State Fire Marshal's Office; Tom Denton and John Rall, Murray State University; Porter Daily, Morehead State University; Brian Kuster, Western Kentucky University; Commissioner Armond Russ and Jim Abbott, Department for Facilities Management; Bill Hintze, Governor's Office for Policy and Management; Marilyn Eaton-Thomas, Kentucky Infrastructure Authority; and Tom Howard, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Jack Affeldt, Lola Williamson Lyle, and Shawn Bowen.

Senator Jackson made a motion to approve the minutes of the November 16, 1999 meeting as submitted. The motion was seconded by Representative Wayne and passed by voice vote.

Chairman Haydon reviewed one correspondence item in members' folders - the Kentucky Lottery Corporation's monthly financial status report for October 1999.

Chairman Haydon said the Capital Planning Advisory Board (CPAB) recently completed its 1998-2004 Statewide Capital Improvements Plan. He introduced Representative Perry Clark, CPAB Chairman, and asked him to provide the Committee with an overview of that plan.

Representative Clark said he appreciated the opportunity to discuss the plan, and he introduced Mr. Bill Hintze, CPAB Vice Chairman, and Ms. Pat Ingram, CPAB Staff Administrator.

Representative Clark said the CPAB was established by the 1990 General Assembly and is made up of 15 members representing all three branches of government. Under KRS Chapter 7A, the Board is charged with developing a Statewide Capital Improvements Plan and transmitting it to the heads of the three branches of government by November 1 of odd-numbered years.

Representative Clark said the Statewide Capital Improvements Plan reports the status of current biennium projects and identifies capital construction and equipment that will be needed in the upcoming two biennia. To develop the statewide plan, the Board used information contained in the individual agency plans submitted last April, and in testimony presented at meetings held in July and September. Representative Clark said the Board also considered recommendations from the state's Chief Information Officer, as well as recommendations from the Council on Postsecondary Education (CPE). Approximately 1,500 projects with a total cost of approximately \$5.7 billion were proposed in the agency plans for 2000-2002 and 2002-2004.

Representative Clark said for the upcoming biennium, the Board is recommending that the Governor and the General Assembly not only identify and appropriate an adequate and ongoing source of revenue for maintenance of existing state facilities, but also that the Department for Facilities Management play an enhanced and more proactive role in maintaining state buildings, particularly office buildings. The Board is also endorsing proposals to improve the process for court facility construction projects, and is recommending continued development and implementation of plans to efficiently and effectively house state agencies. Additionally, the Board is urging all branches of government to work together to examine and address the root causes of the growth in Kentucky's prison population and to identify and use alternatives to incarceration for both juveniles and adults that are consistent with public safety.

Representative Clark said the Board is recommending the appropriation of state funds in the 2000-02 capital budget for three categories of projects as follows: 1) Maintenance of existing state facilities should be considered as the highest priority; 2) Various specific capital construction and information technology projects should be considered as the next highest priority; and 3) Programs which provide assistance to non-state entities, through grants or loans, should also be recognized as a high priority.

Representative Clark stated that in making its capital projects recommendations, the Board's focus as a planning body is based on priority and need, rather than on the details of each project. He added that the Board's recommendations indicate the

importance it places on ensuring good stewardship of taxpayer dollars, both in terms of maintaining and efficiently using the state's existing investment in plant and in wanting any new investment to be justified and appropriately implemented.

Representative Marcotte asked how many projects in the agencies' capital plans will be cut during the budget process. Representative Clark said that every project is subject to be cut or approved through the budgetary process, and he could not speculate as to which projects will or will not be funded.

Chairman Haydon said next on the agenda was a report on the allocation of unused 1998-2000 Agency Bond Pool authorization for postsecondary education institutions. He introduced Mr. Bill Hintze, Deputy State Budget Director, Governor's Office for Policy and Management, and Mr. Ken Walker, Vice President for Finance, Council on Postsecondary Education (CPE).

Mr. Walker said the 1998 General Assembly authorized a \$35 million agency bond pool for the postsecondary education institutions. In November 1998, the Council recommended the use of up to \$31.6 million of the pool for specific projects; these recommendations were approved by Finance Secretary McCarty and reported to the Capital Projects and Bond Oversight Committee. The Council and the Finance Cabinet recently approved plans by four institutions - Eastern Kentucky University (EKU), Kentucky State University (KSU), Morehead State University (MoSU), and the University of Kentucky (UK), to use the remainder of the \$35 million bond authority, as well as \$6.8 million originally allocated to but not used by WKU. The projects, totaling \$10.2 million, include student housing and fire safety projects at EKU, KSU and MoSU, and money for the Aging/Allied Health Phase II Building at UK. Mr. Hintze added that the projects selected are appropriate and within the resources provided; he said this will exhaust the \$35 million appropriation provided by the 1998 General Assembly for this purpose.

Chairman Haydon said next on the agenda was a status report on postsecondary education's Student Housing Fire Safety Plan. He said as a result of last year's tragic fire in a Murray State University (MuSU) dormitory that took the life of one student and seriously injured another, the President of the Council on Postsecondary Education and the presidents of the state-supported colleges and universities came together to develop the Student Housing Fire Safety Plan which was approved by the CPE in November 1998. Mr. Ken Walker; Commissioner Charles Cotton and Mr. Gary Feck, Department of Housing, Buildings, and Construction; and Assistant State Fire Marshal Carvon Hudson testified before the Committee.

Mr. Walker said the plan, which included installation of sprinklers and fire alarm upgrades, was based on three conditions: 1) The projects would be agency funded, with

either cash or bonds; 2) The implementation schedules would be developed in consultation with the State Fire Marshal's Office; and 3) The whole series of projects would be completed as soon as possible. Mr. Walker said the projects were originally estimated to cost \$25 million, but that estimate was later revised to \$26.5 million. Mr. Walker said the Council had recently completed a status report on the student housing fire safety projects which had been transmitted to the Committee.

Commissioner Cotton said the timeframe for completing the fire safety projects was kept flexible because the projects were based on funding availability. He said the State Fire Marshal's Office and the Department of Housing were thorough in making sure sprinkler systems would cover all areas of the dormitories, including closet space. He also noted his office was pleased with the work that has been done.

Representative Wayne asked if sprinkler systems save lives or if they are designed primarily to save buildings. Mr. Hudson said there is no question that sprinkler systems do save lives.

In response to another question from Representative Wayne, Mr. Hudson said each dormitory room has a single station smoke detector which is not connected to the alarm system. He added that if the smoke detectors were connected to the alarm system, there would be numerous false alarms.

Representative Wayne asked if once the State Fire Marshal inspects dormitories on a college campus and makes recommendations, those recommendations are carried out. Mr. Hudson said the State Fire Marshal's recommendations are followed. He said maintenance problems are sometimes overwhelming and expensive to correct, but any problems are eventually corrected.

Commissioner Cotton said a lot of the state college dormitories were built during the 1970s, before the state building code mandated installation of sprinkler systems in buildings. However, the Student Housing Fire Safety Plan will bring those older dormitories up to code. In response to a question from Representative Wayne, Mr. Hudson said the Fire Marshal has always had the authority to require sprinklers in the older dormitories, but past Fire Marshals have been hesitant to go the extent the current office has in requiring sprinklers in those buildings. Commissioner Cotton added that the institutions have been cooperative in this effort.

In response to a question from Representative Wayne, Mr. Hudson said once he inspects a university dormitory, the report findings, as well as the university's response, are available for public viewing through the Open Records Act. Representative Wayne then noted that based on the information gathered from the Fire Marshal's reports,

campus newspapers or student organizations could prepare a list of safe and unsafe dormitories.

In response to another question from Representative Wayne, Commissioner Cotton responded that universities are required to comply with the federal Americans with Disabilities Act (ADA) requirements and are to accommodate disabled students. Representative Wayne said MuSU had a policy requiring lower level students to live on campus in student housing. He said the student who died in the fire at MuSU had a disability and he had requested approval to live off campus, but that request was denied. Representative Wayne asked if the University's policy had been changed. Mr. Rall, MuSU General Council, said the matter is currently under litigation, and he could not respond.

Representative Wayne asked if a policy needs to be included in the statutes or adopted by the Council to ensure educational institutions' housing policies allow students with disabilities to live off campus. Mr. Walker suggested the first step would be to identify the current policies; he agreed to survey the institutions and to report back to the Committee.

Representative Wayne asked how student fees have been affected by the fire safety plan. Mr. Tom Denton, Vice President for Administrative Services, MuSU, said fees at MuSU are being increased over a two-year period by 23% and 14% of that increase was related to fire safety improvements. Mr. Walker indicated this would be the largest increase associated with the state fire safety plan.

Representative Wayne noted that according to the Council's status report on student housing fire safety, the fire safety projects would be completed by September 2001 with two exceptions: MoSU's projects will not be completed until August 2003 and WKU will not complete its work until August of 2004. He asked representatives of MoSU and WKU to explain those delays. Mr. Porter Dailey, Vice President for Administration and Fiscal Services, MoSU, said the University plans to install residence sprinkler systems in its thirteen residence halls over a five-year period and will bond over \$5 million to fund the cost. He said work began in spring 1999, and they had substantially completed two dormitories by fall 1999. He said the University is taking a five-year approach for the improvements to phase in the necessary increase in their housing rates to accommodate students. MoSU increased its student housing rates by \$35 per semester last fall, and is planning another \$35 increase in the fall of 2000. The housing fees will increase each fall semester until the completion of the five phases in 2003. Housing fees, in total, should rise by approximately \$150 per semester.

Mr. Brian Kuster, Director of Housing and Residence Life, WKU, said WKU is installing sprinklers with funds from its operating budget and will not issue bonds.

Representative Wayne said MuSU has addressed this situation aggressively while WKU and MoSU plan to complete the project over a longer period of time. He asked why there is a difference in policy. Mr. Daily said MoSU officials decided to take a more phased in approach because if the University were to increase housing fees by \$150-160 in one semester, it would put a financial hardship on students. Mr. Kuster said WKU is implementing a phased in approach to this project also, but for a different reason: the University plans to utilize its operating funds to finance the project.

In response to another question from Representative Wayne, Mr. Kuster said WKU was considering transferring its housing and dining assets to the school's Student Life Foundation. However, he said this decision is still in the planning and development stage, and no decision has been made. Representative Wayne asked if the University would first present such a plan to the General Assembly. Mr. Kuster responded that he did not know if it would be necessary to come before General Assembly first. Representative Wayne suggested the University inform the General Assembly before it decides to transfer any real estate over to the school's foundation as this would be a major change in policy.

Representative Wayne thanked university officials for the time and effort they have put into implementing the Student Housing Fire Safety Plan. Mr. Walker said he thought the process had worked well; the Council developed a plan that allowed management flexibility by the institutions, and required the expert advice and participation of the State Fire Marshal's Office.

Representative Marcotte asked if sprinkler systems will be installed in all university housing or just in housing with four stories or more. Mr. Hudson said dormitories with four or more stories will have sprinkler systems installed, but some universities have plans to retrofit all student housing, regardless of the number of stories. He said it is critical for the taller dormitories to have sprinklers because modifications to the buildings over time have left numerous hidden holes where smoke and flames can travel up through the buildings and endanger students' lives.

Representative Wayne said the University of Louisville plans to install sprinklers in all student housing, including its fraternity and sorority houses. (The University of Kentucky has similar plans.) He asked if the building code requires sprinklers for those buildings. Mr. Hudson said the building code requires sprinklers in new buildings with more than three stories.

Representative Wayne asked if it would be wise for the State Fire Marshal's Office to recommend to universities that they install sprinklers in all student housing,

regardless of the number of stories. Mr. Hudson said he would recommend installing sprinkler systems in all dormitories, but he would not make it a mandate.

Chairman Haydon asked if any attention has been paid to what students keep in their rooms. He said there should be some student accountability. Mr. Hudson said according to the National Fire Protection Association, dormitory fires on college campuses are often caused by the misuse of various electrical equipment and flammable liquids such as gasoline and lighter fluid, combined with bedding and other combustibles. Chairman Haydon suggested a rigid policy in regard to student accountability and what is kept in dormitory rooms. Mr. Hudson said the code which addresses that issue is being reviewed.

Chairman Haydon then introduced Mr. Jim Abbott, Director, Division of Real Properties, to discuss two lease improvements for leased properties located in Franklin County. Mr. Abbott reported an improvement for the Department for Alcoholic Beverage Control (PR-4111) which involves acquisition and renovation of additional office space for the Department. He noted that the initial bid received was \$15,000. That bid was rejected and a new bid of \$9,000 was received. The Division then negotiated with the lessor to assume half of the cost. Mr. Abbott then discussed a lease improvement for the Board of Hairdressers (PR-4173) to soundproof the Board's testing room.

Chairman Haydon said no further action was required on the lease improvements.

Chairman Haydon then called on Mr. Bill Hintze and Commissioner Armond Russ, Department for Facilities Management, to discuss three projects submitted by the Finance and Administration Cabinet.

Mr. Hintze first commented on the Student Housing Fire Safety Plan. He said last year Cabinet Secretaries McCarty and Luallen, along with the Committee members, made implementation of the fire safety plan a policy priority during the interim. He said through those efforts, with the support of the Committee, the rewards are paying off.

Mr. Hintze then discussed a \$431,000 (17.2%) privately funded scope increase for the Kentucky Community and Technical College System (KCTCS) Maysville Community College project in Cynthiana. This project was authorized by the 1998 General Assembly for \$2,500,000 in bond funds, and the scope increase will be used to construct five additional classrooms and add additional space. Mr. Hintze said the private donation to fund the scope increase has been certified in writing, pursuant to Committee policy.

Senator Jackson made a motion to approve the privately funded scope increase for the KCTCS Maysville Community College project. The motion was seconded by Representative Wayne and passed by voice vote. The revised project scope is \$2,931,000.

Next, Mr. Hintze reported a scope increase for the WKU Journalism and Technology Building project (\$18,500,000 bond funds). The project scope will be increased to include a related project known as the South Lawn Plaza Development project (\$800,000 private funds). Mr. Hintze said the private funds have been certified in writing.

Senator Jackson made a motion to approve the scope increase for the WKU Journalism and Technology Building project. The motion was seconded by Representative Wayne and passed by voice vote.

The final item Mr. Hintze discussed was the purchase of a new \$3 million information technology network by the Cabinet for Workforce Development known as the One Stop Operating System. Mr. Hintze said these funds do not require an additional appropriation; they come from an EMPOWER Kentucky appropriation already provided by the General Assembly for the initiative called Simplified Access to Jobs and Employment Opportunities. He also noted that this project is part of a pilot project with the U. S. Department of Labor, and Kentucky is one of a handful of states involved in that federal initiative.

Chairman Haydon said this is a reportable item, and no further information is required.

Next, Ms. Marilyn Eaton-Thomas, Kentucky Infrastructure Authority (KIA), discussed one new KIA project: a \$102,000 Fund B loan for the city of Carrollton. Proceeds will be used to provide sewer service to the Celotex Corporation.

Senator Jackson made a motion to approve the Fund B loan for the city of Carrollton. The motion was seconded by Representative Marcotte and passed by voice vote.

Chairman Haydon noted this would be the last meeting that Ms. Eaton-Thomas would represent KIA since she is taking a new position with the Economic Development Cabinet. He praised her efforts in keeping the Committee informed and wished her well in her new position.

Next, Mr. Tom Howard, Deputy Director, Office of Financial Management, presented two follow-up reports for previously approved bond issues: Kentucky Asset Liability Commission (ALCo) General Fund Tax and Revenue Anticipation Notes, 1999

Series B, \$101,434,300 and ALCo Project Notes, 1999 General Fund Fourth Series A, \$135,000,000.

Chairman Haydon said these bond issues were approved at previous Committee meetings and no further action was required.

The final item Mr. Howard presented was two new School Facilities Construction Commission (SFCC) bond issues: Grant County and Magoffin County, and one revised SFCC bond issue for Hardin County.

Senator Jackson made a motion to approve the school bond issues with SFCC participation in debt service. The motion was seconded by Representative Marcotte and passed by voice vote.

Chairman Haydon said there was one locally funded school bond issue submitted to the Committee for review this month by the Kentucky Interlocal School Transportation Association. He said no further action on this bond issue was required.

Chairman Haydon said also included in members' folders was one information item, a summary of the CPE's 2000-2002 capital budget recommendations.

Chairman Haydon said the Committee's next meeting is scheduled for Wednesday, January 19, 2000, at 9:00 a.m. in Room 131 of the Capitol Annex. The meeting adjourned at 2:15 p.m.